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Laventhol & Horwath
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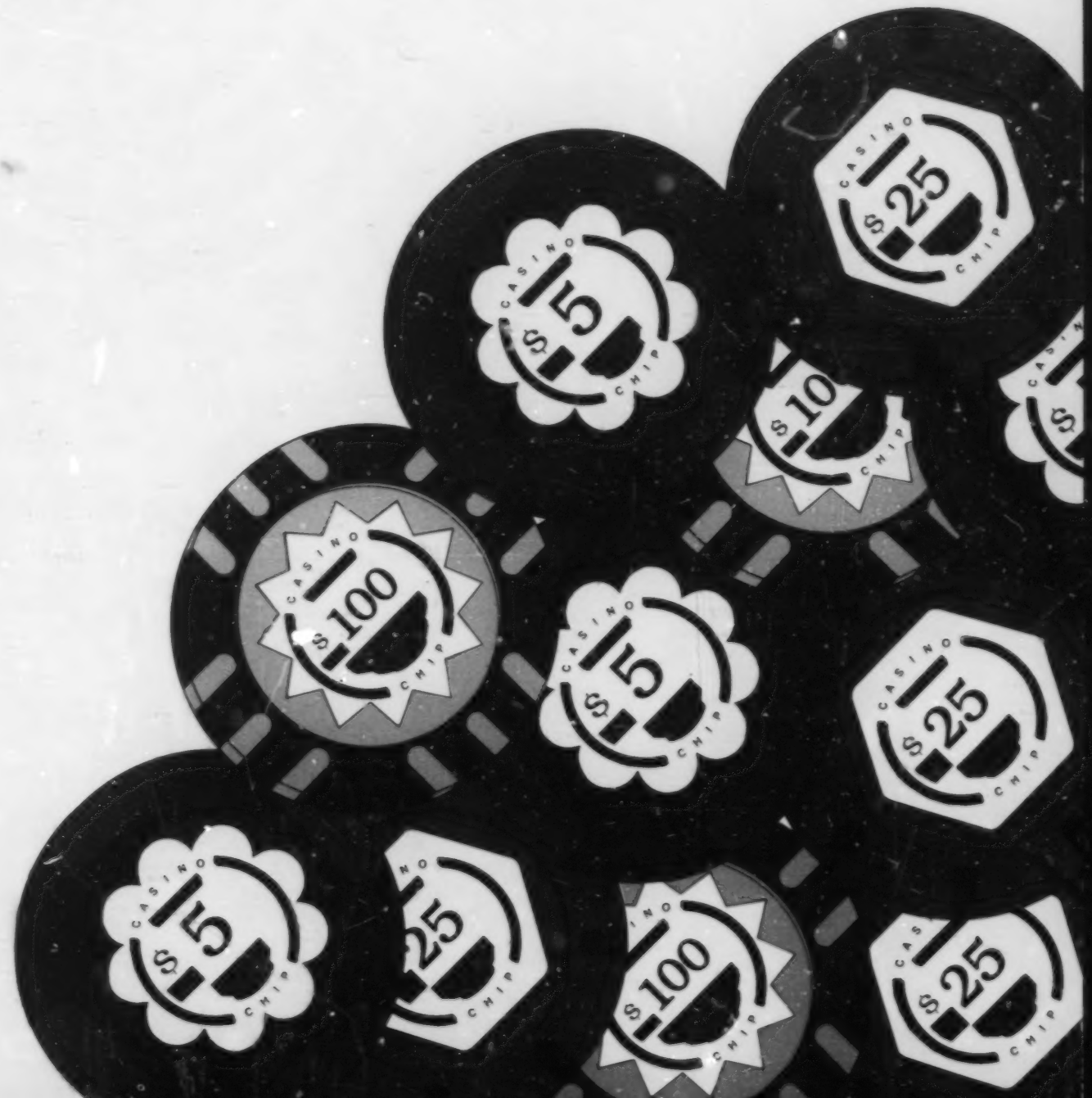
Study Of Financial Results And Reporting Trends In The Gaming Industry 1984



1984 Edition

THE GAMING INDUSTRY

4TH ANNUAL STUDY OF FINANCIAL RESULTS AND REPORTING TRENDS IN THE GAMING INDUSTRY

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INTRODUCTION

For the legalized U.S. gaming industry, 1983 was noteworthy and exciting in many ways since it emerged from a troublesome economic recession. Aggregate total casino revenues continued their upward growth curve, rising to just over $4.5 billion, an increase of 10.3 percent compared with the $4.1 billion of 1982. The 17 corporations reviewed in this year's annual Laventhol & Horwath study, generated approximately 70 percent of the total casino revenue.

By almost every yardstick, 1983 was a turnaround year for the casino gaming industry, even though the overall profit picture showed mixed results. While recovery throughout the industry may not have been complete, the year ended in a positive manner, with 1984 showing signs of even greater strength.

Many casino/hotels had outstanding performances, to an even greater degree than in prior years. The hallmark of the performance leaders entails a blend of all the factors adding up to excellence in a business operation: a closeness to the customer, the exploitation of a successful marketing niche, and a management that stays attuned to change.

The differences between Atlantic City and Nevada were again underscored. Gone are the days when the industry could be analyzed as a monolith. Atlantic City casinos generally showed month-to-month revenue gains throughout the year — in the first half as well as the second. However, Nevada did not show signs of renewed vigor until the second half. During the year there were increasing signs that Nevada — and particularly Las Vegas — facilities moved more in the direction of destination-type operations.

Indicative of the entire industry's ongoing "image" difficulties, during Las Vegas's darkest days, news media all over the nation featured headline stories playing up the city's plight. By contrast, since the recovery started last summer there have been very few stories of similar magnitude. Looking ahead, Nevada should experience a major comeback during 1984, despite the labor union strike.

The results for Atlantic City continue to increase both in gross revenue and net income. (For a detailed Atlantic City commentary, see page 23.)

As casino gaming business expanded in 1983, so too did other elements of the overall legal gaming industry. Particularly noteworthy was the growth in state lotteries. In fiscal 1983, this segment produced net proceeds of approximately $2.1 billion for the 18 jurisdictions involved. Other major segments of the legalized gaming industry that contributed to the well-being of state treasuries were horseracing, off-track betting and sports betting. With gaming's increasing emergence has come a realization by managers of the industry's segments that there are many matters of mutual interest that can best be addressed through an ongoing dialogue. This trend was highlighted at the 1983 annual Laventhol & Horwath Gaming Industry Conference in Atlantic City and will be expanded at the 1984 conference in Las Vegas in October 1984.

The statistical information in this study has been assembled from information in the individual companies' annual reports to shareholders, 10-Ks submitted to the Securities and Exchange Commission (SEC) and publicly available reports filed with the New Jersey Casino Control Commission.

Because there are wide differences in the ways companies record costs in operating statements, and because some of the companies derive all of their revenue from casino/hotel gaming operations while others derive only a portion of revenue from gaming, direct comparisons of corporate operating results may not be meaningful. Additionally, the fiscal years of several companies ended early in 1983; therefore their reports do not reflect growth achieved in the latter part of 1983. Thus, the operating results and percentages in this study should not be considered standards for the industry, nor are they necessarily desirable goals.

Laventhol & Horwath forecasts that total gaming win for all U.S. casinos will reach approximately $5.1 billion in 1984, approximately a 12 percent increase over 1983.

Saul F. Leonard
National Partner
Leisure Time and Gaming Industries

CORPORATIONS INCLUDED IN THIS STUDY

Table A Gaming Corporations	Fiscal Year-End	Casino Sq. Ft. (Approx.)	Guest Rooms	Total Guest Rooms
AITS, Inc.	3/31/83			
Hotel Riviera, Las Vegas		25,000	1,225	1,225
Bally's Park Place, Inc.	12/31/83			
Bally's Park Place, Atlantic City		60,000	512	512
Caesars World, Inc.	7/31/83			
Caesars Palace, Las Vegas		60,000	1,668	
Caesars Boardwalk Regency, Atlantic City		49,500	509	
Caesars Tahoe, Lake Tahoe		40,000	446	2,623
Circus Circus Enterprises, Inc.	1/31/84			
Circus Circus Hotel and Casino, Las Vegas		66,000	1,605	
Circus Circus, Reno		51,500	725	
Slots-A-Fun Casino, Las Vegas		16,500		
Silver City Casino, Las Vegas		18,000		
Edgewater Hotel and Casino, Laughlin, Nevada[1]		35,500	156	2,486
Dunes Hotels and Casinos, Inc.	12/31/83			
Dunes Hotel and Country Club, Las Vegas		60,000	1,200	1,200
Elsinore Corporation	12/31/83[2]			
Four Queens Hotel and Casino, Las Vegas		29,000	716	
Hyatt, Lake Tahoe		12,500	460	1,176
Playboy Hotel and Casino, Atlantic City (45.7% interest)[3]		52,000	500	500
Golden Nugget, Inc.	12/31/83			
Golden Nugget, Las Vegas		25,000	518	
Golden Nugget, Atlantic City		41,000	522	1,040
Greate Bay Casino Corporation	12/31/83			
Sands Hotel/Casino, Atlantic City		38,000	504	504
Hacienda Resorts, Inc.	9/30/83			
Hacienda Resort Hotel and Casino, Las Vegas		19,000	832	
Sahara Las Vegas Hotel and Casino, Las Vegas[4]		24,000	930	1,762

[1]Acquired February 1983.
[2]Year-end changed from January to December in 1983; 1983 information reflects 11 months' operations.
[3]Acquired additional 45.7% interest in April 1984.
[4]Acquired August 1982.

Table A *(continued)*	Fiscal Year-End	Casino Sq. Ft. (Approx.)	Guest Rooms	Total Guest Rooms
Hilton Hotels Corp.	12/31/83			
Las Vegas Hilton, Las Vegas		34,000	3,174	
Flamingo Hilton, Las Vegas		34,000	2,256	
Hilton, Reno		58,000	595	6,025
Holiday Inns, Inc.	12/31/83			
Harrah's, Reno		61,000	565	
Harrah's, Lake Tahoe		65,000	540	
Harrah's Marina, Atlantic City		44,000	506	1,611
Holiday Casino, Las Vegas[5]		31,000		
MGM Grand Hotels, Inc.	8/31/83			
MGM Grand Hotel, Las Vegas		60,000	2,800	
MGM Grand Hotel, Reno		100,000	2,000	4,800
Ramada Inns, Inc.	12/29/83			
Tropicana Hotel and Country Club, Las Vegas		34,000	1,105	
Tropicana Hotel, Atlantic City		51,000	521	1,626
Resorts International, Inc.	1/1/84			
Resorts International Casino Hotel, Atlantic City		60,000	700	
Paradise Island Resort and Casino, Nassau, Bahamas		22,000	1,271	1,971
Scott Corporation	12/31/83			
Union Plaza, Las Vegas		80,000[6]	1,021[6]	
Mizpah Hotel and Casino, Tonopah, Nevada		10,000	56	1,077
Showboat, Inc.	6/30/83			
Showboat, Las Vegas		40,000	495	495
Del E. Webb Corporation	12/31/83			
Mint Hotel, Las Vegas		40,000	292	
High Sierra, Lake Tahoe		43,000	537	
Southpoint Nevada Club, Southpoint		19,000	97	926
Claridge Hotel and Casino, Atlantic City (50% interest)[7]		34,000	505	505

[5]Remaining 60 percent interest acquired in January 1983.

[6]Includes 517 rooms and 49,000 casino square feet completed in 1983.

[7]50 percent interest to October 30, 1983; management contract thereafter.

COMMENTS FROM DIVERSIFIED CORPORATIONS WITH GAMING INTERESTS

The growing role that gaming operations play in the operations of major diversified leisure time corporations is more apparent than ever in 1983 Annual Reports to Shareholders. The contribution by gaming operations to operating income was 39.7 percent for Holiday Inns, 40.1 percent for Hilton and 53.6 percent for Ramada.

Hilton Hotels Corp.

". . . The Company has emerged from this recent economic downturn in a strong financial position, poised to take advantage of the improved economic environment with the largest and most diversified portfolio of rooms in its history . . ."

". . . Substantial improvement was evident in Hilton's Nevada hotel-casinos. Occupancy rose eight percentage points to 80 percent, reversing the nine-point decline in the prior year . . ."

". . . Construction of the Atlantic City Hilton [in the Marina area] is well underway and we expect its opening in the late spring of 1985."

"We have masterplanned a magnificent casino resort in Atlantic City that may ultimately contain 2,000 guest rooms. The first phase will comprise 610 guest rooms, 60,000 square feet of casino space and sheltered parking for 3,000 cars . . ."

"The initial development will cost about $270 million, plus an additional amount yet to be determined to improve the access roadway. . . ."

"As is our custom, we have chosen not to burden the Atlantic City Hilton with excessive leverage. The project has been partially financed with $150 million in debt borrowed in 1982 and 1983 at an 11 percent average rate of interest. We anticipate that the balance will be provided from internally generated funds."

"Perhaps the most exciting and significant event for Hilton in 1983 was the formation of a venture to develop, finance and begin construction on a 522-room luxury casino-convention resort on the Gold Coast of Queensland [Australia]. . . ."

"Construction began in late 1983 . . . and is scheduled to open in December 1985. . . ."

". . . The Gold Coast Conrad International Hotel and Jupiter Casino . . . offers an extraordinary opportunity for us to extend our reputation for quality and integrity in hotel/casino marketing and management. . . . Our hotel/casino will have exclusive rights for casino gaming in the Queensland-Gold Coast area for 10 years. . . ."

". . . Commencing in the second quarter and extending through 1983's fourth quarter, hotel/casino operations reflected impressive gains in occupancies and revenues over comparable prior years. For the year, hotel/casino occupancies averaged 80 percent compared to 72 percent in 1982. . . ."

Barron Hilton
Chairman and President

Holiday Inns, Inc.

"The past year was one of innovation and execution of important long-range market strategies. . . ."

". . . Harrah's showed superb growth in earnings during the past year through higher operating margins at our four hotel/casinos. Earnings and revenue growth also came from our acquisition of the remaining ownership of the Holiday Casino in Las Vegas. In all, operating earnings for the Gaming Group were up 55.2 percent in 1983. The Gaming Group's total operating earnings increased to 39.7 percent."

". . . The major story for 1983 and the remainder of the decade is the execution of our segmentation strategies. . . ."

". . . In the booming Atlantic City market . . . our existing Harrah's Marina hotel/casino is positioned and marketed as "The Other Atlantic City" due to its style of service and location away from the congestion and glitter of the famous Boardwalk area. Harrah's Marina has been at the top of the market in profitability for the past two years, and has established a loyal base of customers . . ."

". . . During the coming year we will commence a major expansion of . . . Harrah's Marina . . . to include 265 new suites; an increase in casino capacity by one-third. . . ."

". . . Our second entry into this growing market . . . our 50 percent-owned Harrah's at Trump Plaza hotel/casino located as the centerpiece of the Boardwalk . . . will open in May 1984. . . . Harrah's will be the first company to operate two casinos in Atlantic City. . . ."

"Our company is well positioned to finance the tremendous growth underway in each of our businesses. We have significant funds from operations, and established credit facilities are easily available . . ."

Michael D. Rose
Chairman, President and C.E.O.

Ramada Inns, Inc.

". . . In 1983 Ramada reported a profit for the first time in three years. . . . We accomplished our financial agenda in 1983 by reducing debt, lengthening the maturities and fixing the rates on much of the debt, and bringing substantial new equity into the company. At year's end, our ratio of debt-to-equity was 64/36 compared to 79/21 at year-end 1982."

"The equity infusion was largely achieved through the company's sale last May [1983] of seven million shares of common stock for $65 million . . ."

". . . Debt was paid down with the proceeds of the stock offering and internally generated cash (including $28

million from hotel property sales) . . ."

". . . A key factor in our financial turnaround was the dramatic upturn in results at the Atlantic City Tropicana. . . ."

". . . Ramada is shifting its emphasis away from ownership of hotel assets in local markets toward control of assets in larger markets. . . ."

". . . In Atlantic City, through the recent purchase of additional land parcels, Ramada now holds the entire square block adjacent to the Tropicana. We foresee expansion on this site involving a tower of rooms, convention space, and a singular entertainment complex. . . ."

". . . The Las Vegas [Tropicana] . . . could be enlarged as a self-contained first-class resort offering convention facilities that we currently lack. The . . . architectural drawings that we have developed are attractive, but implementation will depend on a satisfactory arrangement with our partner in the underlying real estate."

Richard Snell
Chairman and President

Del E. Webb Corporation

"It was a good year, a year of transition from turnaround to profitability:

"It was a year during which we committed ourselves to three major, complex and creative financial transactions which competitively positioned us to achieve significant operating earnings in 1984 and consider restatement of dividends.

"We had three objectives in 1983:

"• To improve operating income in order to achieve significant operating earnings;

"• To further reduce our long-term debt;

"• And, to emphasize marketing efforts company-wide.

"We achieved those objectives. . . ."

". . . By year-end we had no outstanding loans against our revolving credit line and the vast majority of our $84.9 million in long-term debt was at favorable fixed rates.

"The substantial reduction in debt and interest carrying costs was a significant factor in our improved earnings. It was only two years ago — in 1981 — that long-term debt was expected to peak at $279 million with interest expense of $32 million, including the Sun Cities. By the end of 1983, long-term debt was $84.9 million and net interest expense was slashed to $10.7 million . . ."

". . . Both operating earnings and debt reduction were positively affected by the upturn in the economy and the series of major financial transactions which occurred throughout the year.

"While all five subsidiaries produced operating earnings, the leader was Del E. Webb Development Co. — the Sun Cities — which began recording dramatic increases in new home orders the first quarter . . ."

". . . On October 31, we sold the Claridge Casino/Hotel in Atlantic City and casino assets — but not the land — for $151.5 million. The buyer was a limited partnership consisting of over 400 investors. Webb retained a long-term management and incentive fee contract. The transaction, believed to be the first of its kind involving a casino, meant $41 million in cash to Webb.

"These and other transactions, coupled with better management in all five subsidiaries, have made us a lean, far-sighted corporation now able to take advantage of growth opportunities. . . ."

Robert K. Swanson
Chairman, President and C.E.O.

CONSOLIDATED CORPORATE OPERATING RESULTS

Table B
Consolidated Corporate Operating Results
($000 Omitted)

	Total Revenue*		Income From Operations**			
					Percent Total Revenue	
	1983	1982	1983	1982	1983	1982
AITS, Inc.	$ 75,573	$ 88,815	$(20,526)	$(10,162)	***	***
Bally's Park Place, Inc.	263,333	224,448	47,069	25,174	17.8	11.2
Caesars World, Inc.	567,286	576,622	(8,112)	27,903	***	4.8
Circus Circus Enterprises, Inc.	230,244	189,724	40,349	33,216	17.5	17.5
Dunes Hotels and Casinos, Inc.	93,628	121,171	(47,183)	(29,491)	***	***
Elsinore Corporation	75,117[1]	71,803[1]	7,301[2]	3,171[2]	9.7	4.4
Golden Nugget, Inc.	369,981	272,902	70,219	49,835	19.0	18.3
Greate Bay Casino Corporation	175,711	163,436	19,327	15,244	11.0	9.3
Hacienda Resorts, Inc.	99,007	46,566	(5,082)	131	***	0.3
Hilton Hotels Corp.	649,280[1]	599,519[1]	117,539[2]	104,899[2]	18.1	17.5
Holiday Inns, Inc.	1,585,080	1,425,298	226,181	159,376	14.3	11.2
MGM Grand Hotels, Inc.	315,976	316,503	31,854	33,457	10.1	10.6
Ramada Inns, Inc.	573,831[1]	548,321[1]	(11,085)[2]	(18,125)[2]	1.9	***
Resorts International, Inc.	468,267	400,029	40,140	29,845	8.6	7.5
Scott Corporation	55,294	48,545	(4,785)	(3,843)	***	***
Showboat, Inc.	48,003	42,824	11,254	9,784	23.4	22.8
Del E. Webb Corporation	364,541[1]	311,249[1]	3,575[2]	(3,116)[2]	1.0	***

*Represents revenue after deductions for promotional allowances.
**Represents income before income taxes, minority interest, discontinued operations and extraordinary items.
***Not applicable; loss for the year.
[1]Excludes revenue of joint ventures and/or entities recorded on equity basis.
[2]Before equity in earnings of joint ventures or other nonconsolidated operating entities.
[3]Working capital provided from operations includes extraordinary items.

Table B presents details about operating results of major companies in the U.S. casino gaming industry. A caveat, however: Many factors, some nonrecurring, enter into a company's operating results. Therefore, a comparison of year-to-year operating results, and the percentage relationships between companies or years is not always meaningful without obtaining more detailed financial information.

This year we have added information on working capital provided from operations that offer further insight into a company's operations.

For the companies included in this study, total revenue for fiscal 1983 increased 10.3 percent compared with 1982, and casino/hotel revenue increased 11.4 percent. Net income from operations increased 21.2 percent. Net income in 1983 was 5.2 percent of revenue compared with 4.3 percent for this same group in 1982.

Casino/hotel revenue was 67.0 percent of total revenue in 1983 compared with 66.4 percent for this same group in 1982. Income from operations of all the companies in this study was 8.6 percent of total revenue in 1983 compared with 7.8 percent in 1982.

Net Income				Working Capital Provided From Operations		Casino/Hotel Revenue*			
		Percent Total Revenue						Percent Total Revenue	
1983	1982	1983	1982	1983	1982	1983	1982	1983	1982
$(20,226)	$(10,162)	***	***	$(13,303)	$(4,797)	$ 75,573	$ 88,815	100.0	100.0
20,569	10,174	7.8	4.5	32,796	31,806	263,333	224,448	100.0	100.0
(21,043)	844	***	0.1	15,892[3]	39,371	530,064	545,929	93.4	94.7
23,019	18,272	10.0	9.6	36,773	29,551	230,244	189,724	100.0	100.0
(48,465)	(20,057)	***	***	(39,197)	(19,563)	82,164	107,422	87.8	88.7
4,041	(1,033)	5.4	***	5,013	3,917	65,804[1]	62,463[1]	87.6	87.0
38,938	28,656	10.5	10.5	96,155	63,783	351,100	257,863	94.9	94.5
17,017	14,022	9.7	8.6	24,528[3]	20,072[3]	175,711	163,436	100.0	100.0
(2,634)	(270)	***	***	3,681	5,200	87,668	38,496	88.5	82.7
112,637	83,373	16.5	13.4	137,370	131,593	323,811	291,422	47.4	47.0
124,399	75,980	7.8	5.3	268,569	310,071	591,778	472,792	37.3	33.2
17,251	19,807	5.5	6.3	49,143	45,216	315,976	316,503	100.0	100.0
12,397	(19,825)	2.2	***	41,962[3]	14,189	315,200	259,071	54.9	47.2
22,040	25,845	4.7	6.5	46,665	70,399	408,899	349,438	87.3	87.4
(1,566)	(1,451)	***	***	4,896	5,795	55,294	48,545	100.0	100.0
6,285	5,582	13.1	13.0	9,026	7,704	48,003	42,824	100.0	100.0
6,950	4,614	1.9	1.5	13,663	6,503	107,800[1]	156,600[1]	29.6	50.3

GROSS OPERATING PROFIT OF GAMING OPERATIONS

Table C
Gross Operating Profit of Gaming Operations
($000 Omitted)

	(a) Casino Revenue		(b) (a) As a Percentage of (e)		(c) Hotel and Other Revenue*	
	1983	1982	1983	1982	1983	1982
AITS, Inc.	$ 43,450	$ 53,766	57.5	60.5	$ 32,124	$ 35,049
Bally's Park Place, Inc.	230,072	195,854	87.4	87.3	33,261	28,594
Caesars World, Inc.	419,602	431,245	79.2	79.0	110,462	114,684
Circus Circus Enterprises, Inc.	144,431	116,266	62.7	61.3	85,813	73,458
Dunes Hotels and Casinos, Inc.	57,274	80,020	69.7	74.5	24,890	27,402
Elsinore Corporation[1]	44,002	41,150	66.9	65.9	21,802	21,313
Golden Nugget, Inc.	310,387	217,365	88.4	84.3	40,713	40,498
Greate Bay Casino Corporation	155,577	144,236	88.5	88.3	20,134	19,200
Hacienda Resorts, Inc.	45,995	19,681	52.5	51.1	41,673[2]	18,815[2]
Hilton Hotels Corp.	182,154	163,302	56.3	56.0	141,657	128,120
Holiday Inns, Inc.	N/A	N/A	N/A	N/A	N/A	N/A
MGM Grand Hotels, Inc.	151,441	157,903	47.9	49.9	164,535	158,600
Ramada Inns, Inc.	255,500	202,300	81.1	78.1	59,700	56,771
Resorts International, Inc.	293,162	246,581	71.1	70.6	115,737	102,857
Scott Corporation	37,954	33,815	68.6	69.7	17,340	14,730
Showboat, Inc.	32,051	28,483	66.8	66.5	15,952	14,341
Del E. Webb Corporation[1]	77,600	107,400	72.0	68.6	30,200	49,200

*Hotel and other revenue are shown after deducting promotional allowances.
**Not applicable; loss for the year.
N/A-Not available.
[1]Excludes Atlantic City joint venture.
[2]Includes promotional allowances.

In Table C the revenue and gross operating profits of gaming operations are shown separately so that these benchmarks may be more closely analyzed. In this context, gross operating profit is operating profit, after all operating costs, but before interest costs and unallocated corporate expenses.

Information for this table has, for the most part, been obtained from "business segment" sections of annual reports of diversified corporations — or by adding interest costs to the indicated operating profit of corporations that are solely in the casino/hotel business.

In 1983, casino revenue increased 10.8 percent over the revenue of this same group in 1982 (excluding Holiday Inns, for which this information is not available). Casino revenue represented 61.6 percent of total casino/hotel revenue compared with 61.9 percent in 1982. It is interesting to note that this percentage has not varied significantly in the last three years. Total casino/hotel revenue increased 11.4 percent compared with 1982. Gross operating profit reversed the decline of 1982, when it averaged 8.9 percent of total revenue rising to 10.1 percent in fiscal 1983, approaching the 17.1 percent average in 1981 for the group of companies surveyed at that time.

(d) (c) As a Percentage of (e)		(e) Total Casino/Hotel Revenue		(f) Gross Operating Profit		(g) (f) As a Percentage of (e)	
1983	1982	1983	1982	1983	1982	1983	1982
42.5	39.5	$ 75,573	$ 88,815	$(5,314)	$ 849	**	1.0
12.6	12.7	263,333	224,448	59,944	42,651	22.8	19.0
20.8	21.0	530,064	545,929	19,243	57,273	3.6	10.5
37.3	38.7	230,244	189,724	56,544	45,265	24.6	23.9
30.3	25.5	82,164	107,422	(25,245)	(13,297)	**	**
33.1	34.1	65,804	62,463	14,646	11,556	22.3	18.5
11.6	15.7	351,100	257,863	107,261	76,294	30.5	29.6
11.5	11.7	175,711	163,436	25,801	26,646	14.7	16.3
47.5	48.9	87,668	38,496	3,569	2,703	4.1	7.0
43.7	44.0	323,811	291,422	68,639	52,248	21.2	17.9
N/A	N/A	591,778	472,792	115,746	74,595	19.6	15.8
52.1	50.1	315,976	316,503	46,897	51,552	14.8	16.3
18.9	21.9	315,200	259,071	37,484	6,943	11.9	2.7
28.3	29.4	408,899	349,438	72,904	35,238	17.8	10.1
31.4	30.3	55,294	48,545	378	(2,593)	0.7	**
33.2	33.5	48,003	42,824	11,359	9,966	23.7	23.3
28.0	31.4	107,800	156,600	(5,200)	5,300	**	3.4

COMMENTS ON OPERATING RESULTS FROM LETTERS TO SHAREHOLDERS AND MANAGEMENT COMMENTS

The following are samples of comments excerpted from letters to shareholders of companies primarily engaged in the gaming business. For the purposes of this study, these are defined as companies that derive 85 percent or more of their revenue from gaming sources. Illustrative commentaries from diversified corporations with gaming interests appear on page 6.

Bally's Park Place, Inc.

". . . In 1983 . . . hotel occupancy figures . . . rose to 89 percent, highest among Atlantic City's nine casino/hotels."

"A key factor behind our continued success in the Atlantic City market . . . was our strong showing in the area of slot machine operations. In 1983, slot machine revenues . . . [reached] a level of $124.6 million. . . ."

". . . In 1983, Bally's Park Place also made unprecedented marketing strides, using a well-rounded mix of advertising, sales promotion, special events and public relations programs . . ."

"Aided by our popular bus packages and the ongoing "Bus Plus" club, whose membership now totals more than 150,000 individuals, our bus program remained one of the strongest and most profitable in the market. . . . In excess of 38,000 buses [brought] approximately 1,000,000 riders to our property in 1983. . . ."

". . . Throughout our brief history, special events have been one of our strongest marketing tools. . . ."

". . . Our convention facilities . . . with 34,000 square feet of meeting space on one level, attracted 250 corporate and convention groups. In all, our sales efforts contributed 34 percent to our casino/hotel's total room occupancy in 1983. . . ."

"The year 1983 also saw many improvements in operations. . . . Construction of our 40,000-square-foot health spa [was] commenced, with completion expected sometime in late 1984. Also continuing were plans for our 700- to 750-room tower expansion. . . ."

Richard Gillman
Chairman
William S. Weinberger
President

Caesars World, Inc.

"Fiscal 1983 was a major transitional period for Caesars World. Although a loss was realized during the year, the stage was set for earnings growth in fiscal 1984 and beyond. . . ."

". . . In July of 1983, the Company completed a highly successful exchange offer through which it issued approximately 4,000,000 shares of stock to eliminate $50.1 million of publicly held debt. This exchange offer resulted in a net increase in shareholders' equity of about $42 million, after an extraordinary loss of about $10 million recorded in the fourth quarter. This . . . loss was based on the difference between the market value of the stock issued in the exchange and the carrying amount of tendered debentures . . ."

". . . A number of important actions were taken during the year to . . . provide a solid foundation for future growth:

"We upgraded our management team . . . divested nonrelated and non-earning business . . . established substantial additional reserves to protect against the doubtful collection of certain casino accounts receivable from foreign customers . . . [and] developed an early warning system to detect changing world economic conditions that could affect . . . casino credit . . ."

"A major marketing program . . . has been undertaken . . . in order to build a substantially increased and diversified patronage for Caesars."

Henry Gluck
Chairman and C.E.O.
J. Terrance Lanni
President and C.O.O.

Circus Circus Enterprises, Inc.

". . . As it was originally conceived, the Circus Circus in Las Vegas wasn't very successful. Its performance had been something of a roller coaster itself since opening in 1968 . . ."

". . . [After the undersigned bought Circus Circus in 1974] that first year was a learning year. . . . The most remarkable aspect . . . was that in spite of the cockeyed merchandising, there was a pretty fair volume . . ."

"Circus Circus Enterprises, Inc. made its initial public offering of common stock last fall [1983]. . . ."

". . . With the acquisition of the Edgewater Hotel and Casino in Laughlin (our third Nevada market) we now operate the most casino capacity in Nevada and rank second by this measure for the entire gaming industry. . . ."

". . . We view acquisition or development of new properties as a leading avenue for future growth."

"In Las Vegas . . . if an existing property were to become available at an attractive price and fit our marketing philosophy, Circus would purchase it. . . . In principle . . . we are committed to entering the Atlantic City market. . . . However . . . several items dictate us: first availability and price of a good location, and second our cost to develop a theme property resembling our [current] operations. . . ."

". . . As expansion plans materialize . . . the company would have to return to the capital markets for financing. . . ."

William G. Bennett
Chairman and C.E.O.
William N. Pennington
President

Elsinore Corporation

". . . The eleven-month (earnings) period is due to the changing of the fiscal year from January 31st to December 31st. If the Company had not changed its fiscal year-end, it would have reported a net profit of $3,951,000 equal to $.40 per share for the full twelve-month period ending January 31, 1984. . . ."

"Elsub, the Company's wholly-owned New Jersey subsidiary, which holds a 45.7 percent equity interest in the Playboy Hotel & Casino in Atlantic City, contributed the most to the turnaround in earnings. . . ."

"During 1983, Hyatt Lake Tahoe Hotel & Casino enjoyed record pre-tax earnings . . . The Four Queens Hotel & Casino in downtown Las Vegas showed a $2.1 million turnaround in its operations. . . . We acquired the balance of the property on the square block upon which the Four Queens is situated. This new property consists of a site for an additional hotel tower, or other expansion, as well as an existing 600-car parking structure."

". . . On February 28, 1984, the Company announced the execution of a definitive contract with Playboy, whereby we will acquire all the issued and outstanding stock of Playboy of New Jersey, Inc. Upon completion . . . the company will own approximately 91.5 percent of the Playboy Hotel & Casino. The purchase price [was] $53 million. . . . On April 11, 1984, the New Jersey Casino Control Commission granted its final approval . . . and the transaction was consummated . . ."

Robert R. Maxey
President

Golden Nugget, Inc.

". . . In Atlantic City, we commenced construction of our second Atlantic City casino/hotel on March 12, 1984. The unique and innovative interior design elements are being protected with confidentiality during the construction period . . . In Las Vegas, construction of our new high-rise tower . . . and renovation of our existing rooms and the entire exterior continue on schedule. We expect to open the new tower . . . in May [1984] . . . and to complete the rooms and exterior refurbishments in the second half. . . ."

". . . Consistent with a change in the company's marketing focus, the Las Vegas expansion project [will] provide luxury accommodations and amenities acceptable to the more affluent clientele who have traditionally frequented major Las Vegas 'Strip' facilities . . . The new Atlantic City casino/hotel will be on a 15-acre parcel in the Marina area . . . The 25-story complex will feature approximately 60,000 square feet of casino space, 502 hotel rooms, including 83 suites, a 1,400-seat showroom . . . 40,000 square feet of meeting and exhibition space . . . While the detailed budget for the total cost has not been finalized, management believes [it] will be in excess of $300 million. . . ."

". . . The 1983 operating results of the company's Atlantic City facility are not necessarily indicative of the future for a number of reasons. Primarily as a result of the success of its marketing programs, the Company's 14.7 percent share of the total 1983 Atlantic City gaming win was considerably higher than its approximately 10 percent share of the total number of casino games in the highly competitive market. The initiation of imitative or alternative marketing programs by competitors and an adverse fluctuation in the company's revenues as a percentage of dollars wagered on table games produced a decline in the company's market share from 15.3 percent in the first half of 1983 to 14.5 percent in the second half. The company's future market share, casino revenues and the addition of new competitors could be adversely affected by a continuation of these factors, and the addition of new competitors . . ."

Stephen A. Wynn
Chairman and President

Hacienda Resorts, Inc.

". . . The company achieved a major milestone during the year with the successful subscription of its initial public offering in June [1983] of $27.5 million, consisting of common stock and debentures. . . ."

". . . A major focus during 1983 was the building of a strong and aggressive sales and marketing team and the implementation of a marketing strategy for both hotels. Sales efforts at the Sahara and Hacienda were consolidated, resulting in substantial cost savings, increased efficiency and increased bookings . . ."

". . . The two strongest growth markets for Las Vegas are conventions and the tour and travel business. . . . Response from convention and meeting planners has been highly favorable . . . Overall, convention and meeting bookings at the Sahara are up 40 percent over the same period last year . . ."

Paul W. Louden
Chairman, President & C.E.O.

MGM Grand Hotels, Inc.

". . . To ensure a solid foundation for future earnings growth, management is continuing to emphasize convention bookings . . . As of September 1, 1983, our convention group bookings for the two hotels in Las Vegas and Reno for the forthcoming year were approximately 50 percent higher than . . . on September 1, 1982."

". . . Normal lead time in the lodging industry for convention bookings is three to five years and it requires special effort to book conventions with less than 12 months lead time. We believe that this major achievement is due largely to management action taken to improve our Sales and Marketing Department . . . and to the initiation of a well-defined marketing program . . ."

"Exhibition space is vital to convention business. It was for this reason that the Jai Alai fronton at the Las Vegas hotel is currently being converted into an exhibition pavilion. . . . Upon completion we will have over 140,000 square feet of convention area. . . ."

"On September 12, 1983, the company issued $125 million in senior

subordinated debentures, bearing a fixed interest rate of 12 percent and maturing in 1996. . . . The proceeds of this offering were used principally to pay off $90 million in bank debt. The company enters fiscal 1984 with no bank debt. . . ."

". . . Our litigation problems [relating to the November 1980 fire] are not completely over. The insurance companies which issued the retroactive insurance are now refusing to reimburse the company for settlement of the fire-related claims and we have initiated suit against them. It will probably be many months before litigation is reached for trial."

". . . We are giving consideration as to whether it may be desirable to enter the Atlantic City market at this time, and, if so, whether such entry can be more easily accomplished by the acquisition of an existing facility or by the construction of a new one."

Alvin Benedict
Chairman and C.E.O.
Bernard J. Rothkopf
President and C.O.O.

Resorts International, Inc.

"The year 1983 was one in which the company took additional steps in preparation for the future, and achieved increased operating earnings from its casino/hotels in Atlantic City . . . and . . . the Bahamas. . . ."

". . . The Resorts International Casino/Hotel continued to be one of the most profitable casino/hotel operations in Atlantic City as operating earnings increased . . . [It] also was consistently one of the top casinos throughout the year in terms of monthly casino revenue figures. Last July [1983], the Resorts International casino won more money — $29.3 million — in a single month than any other U.S. casino in history. . . ."

". . . Despite the fact that two new casinos are expected to open in 1984 and 1985 . . . we are confident that market demand will easily accommodate this additional capacity. . . ."

". . . We believe the company is in the best position to take advantage of Atlantic City's potential as a major resort and convention center because of its extensive land holdings. In October 1983, the company began construction of its new 1,000-room casino/hotel complex [to] be the company's second . . . in Atlantic City. . . ."

". . . Operation in the Bahamas rebounded strongly in 1983. . . . On Paradise Island, the company recently consolidated its major operations into the Paradise Island Resort & Casino. . . . The company ceased operation of the El Casino gaming complex in Freeport, Grand Bahamas Island, in September 1983. . . ."

". . . The company continuously considers the expansion of its business activities in Atlantic City, the Bahamas and elsewhere in the United States and foreign countries through possible acquisitions, business combinations and other transactions. . . ."

James M. Crosby
Chairman
I. G. Davis, Jr.
President

Scott Corporation

"In 1983 your company completed the expansion of the Union Plaza. However, the delay in completion of the construction as well as the impact of the national recession had an adverse effect on operations. . . ."

". . . Total square footage added in the expansion program was 620,000 from the original 490,000 giving us a total square footage of some 1,110,000. . . ."

". . . The negative effect of the national recession severely impacted the Company's assets in Nye County Nevada during the past two years. Mining companies, which had invested several hundred millions of dollars in the central Nevada area during 1980 and 1981, scaled back operations and reduced work forces . . . The opening of a new hotel and casino in competition with the Mizpah was an added negative factor . . ."

"During 1983 and 1982, the company concluded that the value of its assets at Tonopah, Nevada had been impaired, and its investment in Nevada Automated Betting Systems had been impaired, and in the interest of full disclosure, were written down to their estimated recoverable values. The net effect of these adjustments on the Company's balance sheet was to reduce book value per share by $2.34 as of December 31, 1983. . . ."

". . . With our new improved facilities . . . I am confident your company will become a major factor in the gaming industry in Southern Nevada . . . Increased revenues are anticipated due to the economic prosperity that California is now experiencing, and the fact that some 60 percent of our business is derived from that state. . . ."

Frank E. Scott
Chairman and C.E.O.

Showboat, Inc.

". . . With the finest year in the history of Showboat just completed, and having begun fiscal 1984 without any long-term debt, Showboat is a sure bet for an exciting future. . . ."

". . . Our strong fiscal performance can be traced to various factors, including Showboat's hosting of the 1983 Women's International Bowling Congress (WIBC) Tournament, which brought 73,360 participants and their families to . . . [our operation]. The Guinness Book of World Records has labelled this year's WIBC Tournament "one of the largest sporting events in history. . . ."

". . . Showboat's ability to survive and prosper despite fluctuating economic cycles is due primarily to the company's conservative financial philosophy and its experienced management team . . . At a time when other resort operations still focus on 'high rollers' and high-priced entertainment, Showboat has developed a broad-based market position appealing to both local and tourist customers . . . It has prospered . . . through its ability to build a loyal core of repeat customers. . . ."

Joseph H. Kelley
Chairman, President and C.E.O.

CASINO REVENUE AND PROMOTIONAL ALLOWANCES

Promotional allowances — in the form of complimentary rooms, food and beverages ("comps") — are an integral part of the casino/hotel industry and are considered to be routine costs for improving business.

However, increasingly in recent years, such allowances have come under considerable examination within the industry and among financial analysts. The questions are: To what extent do comps capture and hold business? What is their value in terms of their costs as a percentage of business revenue?

Precise analysis is difficult. One of the reasons is that the amounts shown in Table D represent the retail value of these complimentary goods and services, whereas the actual costs to the casino/hotel are considerably less.

While a discernible trend is difficult, it is interesting to note that in 1983 while total casino promotional allowances of the 17 corporations analyzed rose 10.4 percent compared with the 1982 figures, total casino revenue increased 10.8 percent. In the aggregate, promotional allowances averaged 12.7 percent of casino revenue compared with 12.8 percent in 1982.

Table D
Promotional Allowance as a Percentage of Casino Revenue
($000 Omitted)[a]

	Casino Revenue		Promotional Allowances		As a Percentage of Casino Revenue	
	1983	1982	1983	1982	1983	1982
AITS, Inc.	$ 43,450	$ 53,766	$ 7,243	$ 8,975	16.7	16.7
Bally's Park Place, Inc.	230,072	195,854	22,433	17,045	9.8	8.7
Caesars World, Inc.	419,602	431,245	56,768	48,230	13.5	11.2
Circus Circus Enterprises, Inc.	144,431	116,266	9,285	7,640	6.4	6.6
Dunes Hotels and Casinos, Inc.	57,274	80,020	12,765	17,336	22.3	21.7
Elsinore Corporation[1]	44,002	41,150	5,296	5,287	12.0	12.8
Golden Nugget, Inc.	310,387	217,365	45,461	32,793	14.6	15.1
Greate Bay Casino Corporation	155,577	144,236	21,890	20,899	14.1	14.5
Hacienda Resorts, Inc.	45,995	19,681	N/A	N/A	N/A	N/A
Hilton Hotels Corp.	182,154	163,302	25,189	25,168	13.8	15.4
Holiday Inns, Inc.	N/A	N/A	N/A	N/A	N/A	N/A
MGM Grand Hotels, Inc.	151,441	157,903	20,673	21,703	13.7	13.7
Ramada Inns, Inc.	255,500	202,300	34,980	29,152	13.7	14.4
Resorts International, Inc.	293,162	246,581	33,171	29,051	11.3	11.8
Scott Corporation	37,954	33,815	5,245	4,615	13.8	13.6
Showboat, Inc.	32,051	28,483	1,415	1,291	4.4	4.5
Del E. Webb Corporation[1]	77,600	107,400	13,700	16,600	17.7	15.5

N/A — Not available.
[1]Excludes Atlantic City joint venture.

GAMING OPERATING PROFIT AS A PERCENTAGE OF GAMING ASSETS

Table E reflects gaming gross operating profit as a return on gaming operations assets. In general, the amount of identifiable gaming operations assets was obtained from the "business segment" sections of annual reports of diversified coporations, or as total assets for corporations that are solely casino/hotel corporations. (For a definition of gaming gross operating profit, see page 11.)

In 1983, gross operating profit as a percentage of identifiable gaming operation assets increased to 13.1 percent from 11.7 percent in 1982. As in prior years, the dynamic year-to-year changes of individual companies is highlighted in this table.

Table E
Gaming Gross Operating Profit as a Percentage of Identifiable Gaming Operation Assets
($000 Omitted)

	Identifiable Gaming Operation Assets		Gaming Gross Operating Profit		As a Percentage of Assets	
	1983	1982	1983	1982	1983	1982
AITS, Inc.	$ 92,016	$ 97,054	$(5,314)	$ 849	*	0.9
Bally's Park Place, Inc.	317,678	300,230	59,944	42,651	18.9	14.2
Caesars World, Inc.	452,179	467,600	19,243	57,273	4.3	12.2
Circus Circus Enterprises, Inc.	308,238	168,049	56,544	45,265	18.3	26.9
Dunes Hotels and Casinos, Inc.	84,325	105,304	(25,245)	(13,297)	*	*
Elsinore Corporation[1]	91,861	93,000	14,646	11,556	15.9	12.4
Golden Nugget, Inc.	307,114	255,968	107,261	76,294	34.9	29.8
Greate Bay Casino Corporation	108,720	102,364	25,801	26,646	23.7	26.0
Hacienda Resorts, Inc.	97,306	92,954	3,569	2,703	3.7	2.9
Hilton Hotels Corp.	429,442	381,650	68,639	52,248	16.0	13.7
Holiday Inns, Inc.	773,308	631,275	115,746	74,595	15.0	11.8
MGM Grand Hotels, Inc.	583,617	524,888	46,897	51,552	8.0	9.8
Ramada Inns, Inc.	383,423	386,435	37,484	6,943	9.8	1.8
Resorts International, Inc.	371,447	319,502	72,904	35,238	19.6	11.0
Scott Corporation	93,248	75,597	378	(2,593)	0.4	*
Showboat, Inc	41,968	38,604	11,359	9,966	27.1	25.8
Del E. Webb Corporation[1]	69,200	76,000	(5,200)	5,300	*	7.0

*Not applicable; loss for the year.
[1]Excludes Atlantic City joint venture.

CORPORATE INTEREST EXPENSE, DEPRECIATION AND AMORTIZATION

Corporate interest expenses seesawed wildly in 1983, since several corporations decreased their debt load while others increased this financial burden. However, in the aggregate, despite an easing of interest rates, these expenses rose again in 1983 to 102.8 percent of last year's figure.

It should be noted that interest expense is net of capitalized interest. Therefore, this tabulation may not give a complete perspective of a corporation's full interest load.

Depreciation and amortization continued to climb in 1983, totaling 107.7 percent of 1982. This was more a reflection of continuing expansion of the gaming industry than of any other cost factor.

Table F
Corporate Interest Expense and Depreciation and Amortization — 1983 Compared With 1982
($000 Omitted)

	Interest Expense			Depreciation and Amortization		
	1983	1982	1983 % of 1982	1983	1982	1983 % of 1982
AITS, Inc.	$15,213	$11,011	138.2	$ 6,821	$ 5,144	132.6
Bally's Park Place, Inc.	12,875	17,285	74.5	22,083	21,882	100.9
Caesars World, Inc.	45,870	55,055	83.3	32,512	34,930	93.1
Circus Circus Enterprises, Inc.	16,195	12,049	134.4	11,995	8,659	138.5
Dunes Hotels and Casinos, Inc.	17,385	14,170	122.7	6,217	5,373	115.7
Elsinore Corporation[1]	7,435	8,385	88.7	3,870	4,156	93.1
Golden Nugget, Inc.	40,567	33,210	122.2	18,540	12,411	149.4
Greate Bay Casino Corporation	7,006	12,125	57.8	6,807	6,005	113.4
Hacienda Resorts, Inc.	12,263	5,394	227.3	4,281	2,751	155.6
Hilton Hotels Corp.[1]	19,938	8,962	222.5	40,050	37,826	105.9
Holiday Inns, Inc.	41,703	50,965	81.8	94,301	85,033	110.9
MGM Grand Hotels, Inc.	18,299	19,427	94.2	23,982	22,782	105.3
Ramada Inns, Inc.	54,700	67,710	80.8	33,785	34,200	98.8
Resorts International, Inc.	43,759	25,789	169.7	20,098	20,078	97.1
Scott Corporation	5,163	1,250	413.0	4,127	2,565	160.9
Showboat, Inc.	105	182	57.7	2,371	1,911	124.1
Del E. Webb Corporation[1]	10,730	16,075	66.7	8,712	9,771	89.2

[1]Excludes joint ventures or other unconsolidated operating entities.

TOTAL ASSETS, SHAREHOLDERS' EQUITY, RETURN ON SHAREHOLDERS' EQUITY AND DEBT-TO-EQUITY RATIO

Table G provides additional yardsticks by which financial analysts can judge corporate performance.

The ratio of debt to equity and the amount of equity as a percentage of total assets frequently indicate to what extent management is depending on borrowed funds. Financial analysts generally consider a company with a high debt-to-equity ratio to be more volatile. However, there are a number of exceptions.

The debt-to-equity ratio is calculated by dividing the long-term debt (including current maturities) at year-end by the ending shareholders' equity. For 1983, the aggregate ratio of shareholders' equity to total assets showed very little change — 38.7 percent compared with 38.1 percent in 1982.

The 1983 return on shareholders' equity was computed by dividing the net income by the average shareholders' equity at the beginning and the end of the year. Return on shareholders' equity for 1983 increased to 10.8 percent compared with 9.0 percent in 1982.

Table G
Total Corporate Assets, Shareholders' Equity, Return on Shareholders' Equity and Debt-to-Equity Ratio
($000 Omitted)

	(a)	(b)	(c)	(d)	(e)
	Total Assets 1983	Shareholders' Equity 1983	As a Percentage of (a)	1983 Return on Shareholders' Equity	Debt to Equity Ratio
AITS, Inc.	$ 92,016	$(28,833)	N/A	*	N/A
Bally's Park Place, Inc.	317,678	139,541	43.9	17.8	0.8
Caesars World, Inc.	497,496	137,838	27.7	*	2.2
Circus Circus Enterprises, Inc.	308,338	121,960	39.6	24.8	1.3
Dunes Hotels and Casinos, Inc.	116,263	(37,547)	N/A	*	N/A
Elsinore Corporation[1]	130,885	44,248	33.8	9.6	1.6[1]
Golden Nugget, Inc.	715,215	238,645	33.4	22.3	1.6
Greate Bay Casino Corporation	108,720	37,026	34.1	60.0	1.3
Hacienda Resorts, Inc.	127,311	14,085	11.1	*	6.8
Hilton Hotels Corp.[1]	1,099,212	634,297	57.7	18.7	0.4[1]
Holiday Inns, Inc.	1,936,536	1,039,562	53.7	12.5	0.5
MGM Grand Hotels, Inc.	583,617	123,964	21.2	14.0	2.2
Ramada Inns, Inc.	761,031	238,327	31.3	6.6	1.8
Resorts International, Inc.	827,352	273,913	33.1	8.3	1.3
Scott Corporation	93,248	19,587	21.0	*	3.0
Showboat, Inc.	41,968	36,305	86.5	18.3	**
Del E. Webb Corporation[1]	344,711	100,668	29.2	6.0	1.0[1]

N/A — Not applicable; shareholders' deficiency.
*Not applicable; loss for the year.
**Not applicable; no long-term debt.
[1]Excluding share of debt of joint ventures or other unconsolidated operating entities.

THE CASINO GAMING INDUSTRY — AN OVERVIEW BY FINANCIAL ANALYSTS

Expansion plans in the Atlantic City gaming segment of the lodging industry appear to be reasonable and in keeping with market growth prospects. However, the recent increase in interest rates is a double-edged sword for all aspects of the industry, since it might tend to restrict new construction and put a damper on business and pleasure travel.

While the possibility of a general economic downturn in 1985 cannot be discounted, it is anticipated that during the remainder of 1984 the lodging and gaming industry may slightly outperform the market. Current real estate tax shelter laws are another factor helping to ameliorate plans over the next several years.

Theodore W. Anderson
Research Analyst
The Ford Foundation

Nevada recovered satisfactorily in 1983, due to lower air fares and an improving economic backdrop. The outlook for 1984 should be aided by cross-marketing of the Summer Olympics and capacity additions in the fast-growing Laughlin area. Moreover, prebooked convention business looks robust in Las Vegas/Reno.

Most importantly, many operators are renovating their facilities to appeal to a wider customer base. Increased utilization of progressive jackpot slots and electronic video games — particularly video slots, pokers and blackjacks — are making their marks.

In 1983, Lake Tahoe revenues got off to a slow start, the result of poor winter weather and mud slides which closed the major highway into the area. Reno, on the other hand, was aided by Tahoe's weather-related difficulties. However, the results for both areas improved as the year progressed.

While Nevada has recovered nicely, we doubt that double-digit growth rates — which were the norm during the 1970s — are likely to occur again in the Las Vegas market.

The outlook for Atlantic City in 1984-85 continues to be good. With the opening of Harrah's Boardwalk and an 11,000 square foot addition to the casino in Caesars Boardwalk Regency, total casino square footage will increase 16.6 percent to 499,000 square feet. Hotel room capacity will rise 12.6 percent — to 5,360 first-class accommodations — reflecting the 600 rooms offered by Harrah's Boardwalk.

Group and tour packages will be offered with increasing frequency, particularly during mid-week periods, as charter and scheduled air services increase.

The Atlantic City market, measured by net win levels, rose dramatically during the 1978-1983 period of capacity expansion. While capacity rose 605 percent over this period, net win increased 1,221 percent. And in 1983, with no new additions to capacity, the market grew 18.6 percent. While aggregate capacity additions for the next two years are estimated at 37 percent, our 1984-85 revenue forecast calls for a 43 percent increase.

By 1986, when the number of guest rooms is expected to reach a desirable 10,000 target, and a newly built or renovated convention center is open, Atlantic City should be able to attract large-scale meeting business on top of its regular one- and two-day trippers.

Steven Eisenberg
Leisure Industry Financial Analyst
Bear Stearns & Company

We continue to view favorably the prospects for the casino gaming industry. The social and moral stigma surrounding gaming has declined substantially in the past decade. In addition, the funding needs of municipalities have created a long-term window for the gaming industry. Even in 1983, when the recession had a severe impact on the Nevada operators, the overall industry, encompassing Nevada and Atlantic City, grew more rapidly than the economy. We foresee more of the same in coming years and look for domestic corporations to become more involved internationally as well as the potential for further domestic geographic expansion.

As is the case in any industry, there will be well-managed organizations as well as those at the other end of that spectrum. High interest rates, among other factors, are making it difficult for weak companies in any industry. Thus, we expect, as is the case in other industries, a continued weeding out of inefficient operators with resultant market share expansion for the successful. Although it is early to prognosticate about 1985, we see no reason at this time to think it will be anything less than outstanding for the Nevada and Atlantic City markets.

Dennis I. Forst, C.F.A.
First Vice President
Director of Research
Bateman Eichler Hill Richards

Atlantic City in five years has grown from a one-casino monopoly to a highly competitive market with nine casino hotels. Yet, in 1983, the average casino win per table game and per slot machine was greater than it was when Resorts International was all alone. The market at this point is thirsting for new capacity and, by our calculations, it will not reach equilibrium until there are at least 15 and perhaps 20 casinos in operation.

New casinos are being built. However, there are major barriers to entry in this market. Those barriers limit capacity growth to manageable proportions. The minimum cost of a new casino is approximately $200 mil-

lion; the limited amount of casino-zoned land has been selling lately at $4 million to $10 million per acre, and the licensing requirements are tough, costly and complicated.

Thus, while the market's return is very high, only one new casino will open in 1984 (Harrah's/Trump), another in 1985 (Hilton), and perhaps two in 1986 (Resorts II, Golden Nugget Marina). There will be expansions of existing casinos in the interim, but expansions do not result in the same one-to-one increase in competition as the opening of a new casino.

Growth rates will decline due to a larger base, not to any weakness in demand. For example, we look for approximately a 19 percent growth in 1984, on 1983's base of $1.8 billion. While 19 percent represents a slower percentage growth than in most past years, the absolute incremental revenues will be approximately $350 million, or well above the average incremental growth of the past.

The new casinos will account for much of the revenue growth, but the market should be strong enough to fill the new facilities without diluting the revenues of the older ones. Similar mathematics apply to the capacity issue; the new casino opening this year represents only 13 percent capacity growth — an expansion rate easily accommodated by the city's labor pool and infrastructure.

Nevada, in contrast, is a mature market, now proven to be cyclical with the economy. We expect the general economy to remain strong throughout 1984 and into 1985, so Nevada should continue to enjoy the upside of its cyclical pattern. Revenue growth should be about 8-10 percent per year in 1984 for both Las Vegas and Northern Nevada. This "growth," however, will slow and may even turn negative in a future recession, perhaps in late 1985 or sometime in 1986. Because it is a mature market (and because Atlantic City has much better returns on new investment), we expect construction to be limited to a few expansions by casinos that have outperformed the market due to a particular location (such as Laughlin) or due to success in appealing to a particular market segment.

At this point, we see no other jurisdictions legalizing casinos over the next few years. Although legalized gaming clearly produces jobs and tax revenue, it is also a major social distraction with strong political opposition. Due to these same factors, we believe legalization of lottery-operated slot machines will also be a long, difficult process, which may or may not ultimately be successful.

Daniel R. Lee
Vice President Research
Drexel Burnham Lambert, Inc.

We project increasing profitability for the casino gaming business for the duration of 1984 and for 1985, but we caution that it may prove to be a period where the rich get richer and the poor fall further behind.

We are optimistic concerning the outcome of the "capacity argument" in Atlantic City. Although some have assumed that Harrah's new facility on The Boardwalk will simply take business away from existing operators, we contend that the Atlantic City industry has been capacity constrained during weekends throughout the year and for most of the June-September period, and that Harrah's new rooms and casino floor space should buoy industry revenue. We project a similar scenario when Hilton opens in 1985, and look for a 20 percent industry growth through 1985. Now that Resorts International has delayed opening of its second Atlantic City facility from 1986 to 1987, we are forecasting positive changes in "revenue per casino" and in profits through that time.

As the 17 percent industry growth in the fourth quarter of 1983 demonstrated, Nevada gaming is experiencing an exceptionally strong recovery. The spring 1984 strike may have masked the sharp increases in profits that the major operators had been enjoying. We project continued strong growth for the Las Vegas industry, in the area of 10 percent to 12 percent through 1985, but not for everyone. Those companies that are well financed should be able to take advantage of those who were hurt by the 1982-83 recession.

Although video lottery terminals (VLTs) may provide additional income for gaming equipment manufacturers later in this decade, we note the many political and competitive risks that might interfere with a quick payoff. Our analysis has shown that, by 1988, VLTs might provide close to $70 million in profits for the industry as a whole, which is obviously better than a kick in the pants, but considerably less than some observers have projected. We caution against an overly enthusiastic projection about the amount of money to be made from VLTs.

Mark Manson
Research Analyst
Donaldson, Lufkin & Jenrette

What has happened in Atlantic City during the past five years is remarkable. Two billion dollars has been invested and plans have been outlined to invest billions more. Most of the money has gone into the development of the city's nine casino hotels, but non-casino projects are now starting to reach the drawing board. These and other plans should enable Atlantic City to increase its base of first-class hotel rooms to 10,000 (presently 4,800) during the next five years.

In 1984, Atlantic City will surely become the gaming capital of the world. Its 10 casinos will surpass the combined win from Las Vegas's 130 gaming locations. As more hotel rooms are added, Atlantic City will become a much more attractive destination resort to the lucrative convention business. Atlantic City's conventioneers now spend more than $400 apiece during a minimum three-day stay compared with the predominant day-tripper who spends less than $50. In 1983, 12 million people were bused into Atlantic City's nine casinos. As the transition to the more affluent tourist trade is implemented, the industry should experience higher levels of casino wins and occupancy rates during the traditionally slow winter months. This could have a dramatic impact on the bottom line, since most business in Atlantic City is still generated during the summer and on weekends.

In our opinion, Las Vegas will no longer achieve growth rates of 15 percent. The competition from Atlantic City is a real and continuing factor that could cut Las Vegas's long-term growth rate in half.

Also, in our opinion, operating margins at Atlantic City's casinos will get better in 1984 and will continue to improve during the next couple of years. Combined with the anticipated pick-up in visitor arrivals, this should boost earnings dramatically. But, as in any industry, some companies will substantially outperform the competition, and we believe that management is still the most important factor in success.

Looking farther ahead, attempts to legalize gaming in New York and Pennsylvania may succeed, but we think this possibility is some years away.

Marvin B. Roffman
Financial Analyst
Janney Montgomery Scott

More than ever, Atlantic City and Nevada will have to be studied separately as 1984 progresses. Nevada is making a comeback; a growth of 10 percent to 13 percent for that state's gaming industry is entirely within the realm of possibility this year. As for Atlantic City, however, I'm troubled by the implicit argument of a number of analysts as well as industry leaders: By increasing the supply of casinos on the Jersey shore, demand will be sufficiently increased to more than offset higher costs.

In the first years of gaming in Atlantic City it was easy to accept the premise that expansion of casino floor space would enhance industry profitability. Casinos were new and space at tables was at a premium. Once table-limit regulations were lifted — so the argument went — casinos could command whatever the traffic would bear. The fact that the additional capacity did not depress prices is borne out by measuring the average win per square foot per day, which increased nearly 15 percent in 1983.

Under such favorable circumstances, one would expect that returns on investment would be reasonably attractive. However, in 1983, on a cumulative investment of approximately $1.7 billion, the nine casinos generated income of about $168.7 million after taxes.

For Atlantic City, the period 1984-1986 will be particularly important since casino floor space will increase at an estimated compound rate of at least 15 percent to 20 percent. If the city were not totally congested by auto traffic during peak periods, if there were more than 20,000 modern hotel rooms to attract large conventions, and if table limits were not so high, there might be little cause for concern.

However, the city will not have a total of 20,000 modern hotel rooms, nor a new convention center, until close to 1990. Thus, it seems highly unlikely that profitability, in the aggregate, will soon be improving, particularly if there are additional upward pressures on labor expenses, marketing and advertising costs, construction loan rates, and "comp" and credit policies.

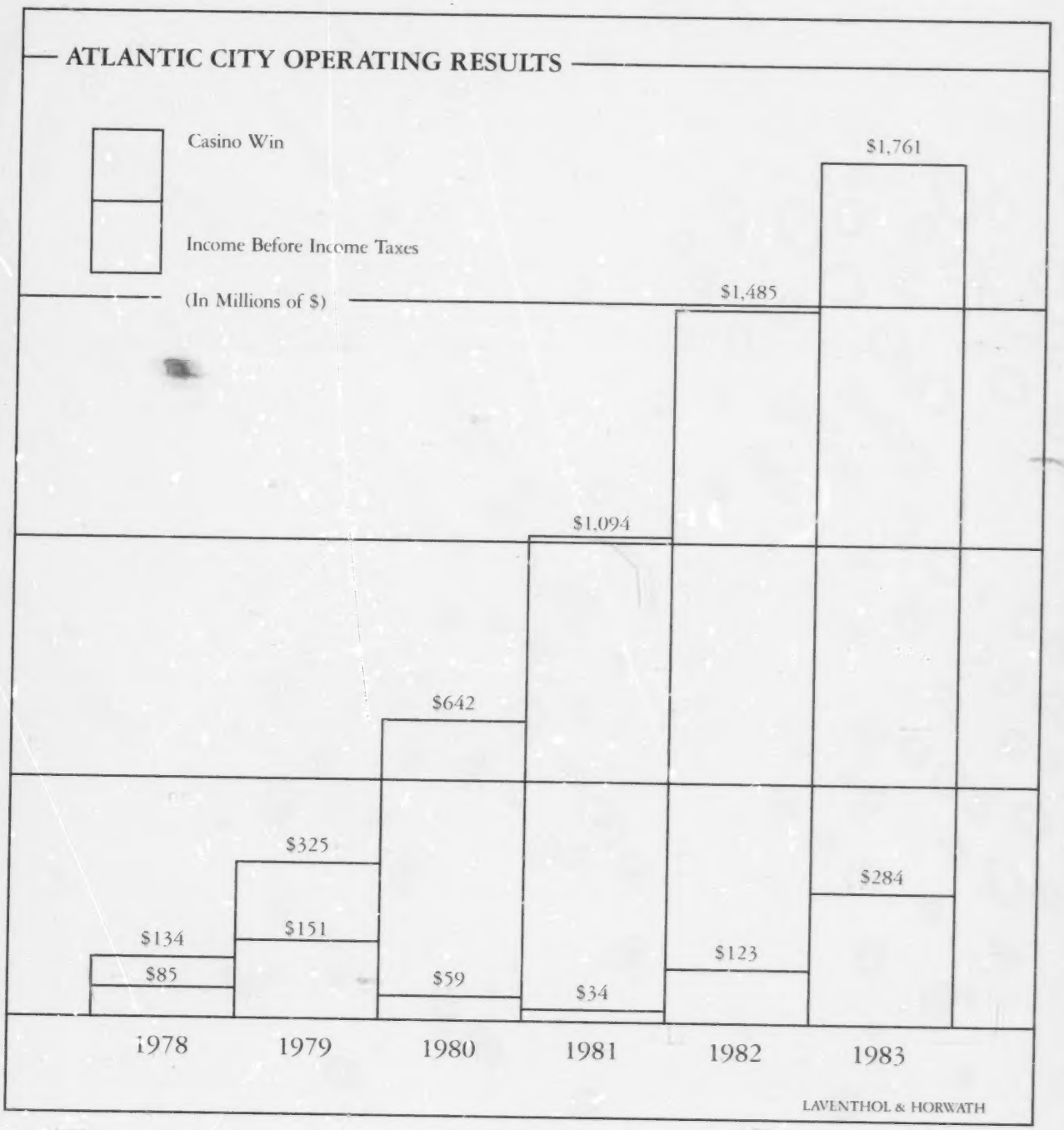
True, some transportation bottlenecks are being eased by the new high-speed rail link from Philadelphia and improved air service. But these improvements may merely provide substitute forms of transport for players rather than bringing in additional numbers.

Another note of caution for Atlantic City is posed by the fact that receivables from players are growing faster than win. For the nine months ended September 30, 1983, casino receivables, net of reserves, rose 28.1 percent to $75.9 million while casino receivables over 90 days old increased 46.2 percent to $54.2 million. Profit growth is inevitably hampered when receivables rise at a much faster rate than revenue, and when receivables, net of reserves, are approximately half of the industry's after-tax profits. All this may hint that total market growth is unlikely to accelerate with the opening of more space.

Taking an even broader view of the gaming market, one must seriously examine the emerging area of lotteries.

Public wagering on lotteries — $6 billion — now is greater than the combined Nevada and New Jersey casino wins. Lotteries are attracting an increasing number of players as "prizes" are now commonly in millions of dollars. As state officials experiment more with video lottery games, involving video terminals, companies that supply such equipment may attract serious investor attention. Lotteries are indeed the new gaming frontier.

Harold L. Vogel, C.F.A.
Vice President
Merrill Lynch


ATLANTIC CITY OPERATING RESULTS
Casino Win
Income Before Income Taxes
(In Millions of $)
$134
$85
$325
$151
$642
$59
$1,094
$34
$1,485
$123
$1,761
$284
1978
1979
1980
1981
1982
1983
LAVENTHOL & HORWATH

1983 ATLANTIC CITY SUMMARY

As shown in Table H (pages 24-25), Atlantic City's total casino win in 1983 was almost $1.8 billion, an increase of 18.4 percent over 1982. But of even greater significance, the resort's casino/hotels income before income taxes of $284 million was a noteworthy gain of 131 percent over the $123 million in 1982. The accompanying chart graphically illustrates this improvement.

This year's Atlantic City summary takes on further significance because all nine casino/hotels were also in operation in 1982, and therefore the increased revenue and income is not due to an increase in the number of operators.

Some analysts have expressed concern that the month-to-month and year-to-year gross gaming revenues are not demonstrating the same percentage gains that they did when gaming was new to the Jersey shore. However, in terms of a reasonable analysis, the performance of any business is best judged by the net income — in terms of both growth and profit margin plus the company's return on investment.

Over the next few years, as new casino/hotels commence operations, net income is the amount to watch most closely. One new casino/hotel opened in spring 1984, and another is scheduled for 1985. Others, as indicated in the management commentaries, are scheduled through 1990.

The information in Table H was obtained from the annual reports of Atlantic City casino/hotels as filed with the New Jersey Casino Control Commission. The ability to compare such information has helped to sharpen Atlantic City operators' competitive edge and to dispell rumors, gossip and misinformation that prevails when such facts are not available. By contrast, such information is not available for Nevada operations.

Although New Jersey reports are filed on standardized reporting forms, there are many differences in the way that individual operations classify certain expense items, particularly marketing costs, guest entertainment, and other general and administrative expenses.

Atlantic City casino operators had an excellent year during 1983. With the advent of the next group of casino/hotels, we will see further growth of the world's largest gaming market.

Table H
1983 Atlantic City Summary
($000 Omitted)

	Total		Bally's Park Place		Caesars Boardwalk Regency		Claridge	
Date Opened			Dec. 1979		July 1979		July 1981	
	$	%	$	%	$	%	$	%
Condensed Income Summary:								
Revenue								
Casino	$1,760,861	87.7	$230,072	87.9	$211,156	89.4	$109,966	83.7
Hotel and Other	472,613	23.5	54,138	20.7	50,890	21.6	39,228	29.9
Promotional Allowances	(226,086)	(11.2)	(22,433)	(8.6)	(25,981)	(11.0)	(17,796)	(13.6)
Total	2,007,388	100.0	261,777	100.0	236,065	100.0	131,398	100.0
Costs and Expenses (Net)								
Total Exclusive of Items Shown Below	1,507,406	75.1	181,306	69.3	198,381	84.0	109,650	83.4
Interest	84,134	4.2	12,875	4.9	5,625	2.4	6,127	4.7
Depreciation and Amortization	98,305	4.9	22,083	8.4	10,145	4.3	8,904	6.8
Nonoperating Expenses (Income)	33,746	1.7	(1,556)	(0.6)	817	0.3	18,851	14.3
Income Taxes	105,918	5.2	26,500	10.1	11,054	4.7	215	0.2
Total	1,829,509	91.1	241,208	92.1	226,022	95.7	143,747	109.4
Net Income (Loss)	$ 177,879	8.9	$ 20,569	7.9	$ 10,043	4.3	$ (12,349)	(9.4)
Supplementary Casino Information:								
Casino Square Footage	429,500		60,000		49,500		34,000	
Casino Revenue								
Table Games	$ 892,205	50.7	$105,457	45.8	$116,743	55.3	$ 56,124	51.0
Coin-operated Machines	868,656	49.3	124,615	54.2	94,413	44.7	53,842	49.0
Total	1,760,861	100.0	230,072	100.0	211,156	100.0	109,966	100.0
Casino Expenses								
Labor	301,306	17.1	35,774	15.5	41,451	19.6	20,269	18.4
Other	617,437	35.1	60,102	26.2	79,426	37.6	35,207	32.0
Total	918,743	52.2	95,876	41.7	120,877	57.2	55,476	50.4
Casino Departmental Income	$ 842,118	47.8	$134,196	58.3	$ 90,279	42.8	$ 54,490	49.6
Approximate Average Monthly Casino Revenue per Square Foot	$ 342.00		$ 320.00		$ 355.00		$ 270.00	
Approximate Average Monthly Casino Department Income per Square Foot	$ 163.00		$ 186.00		$ 152.00		$ 134.00	

*No income tax provision reflected on income statement.

Golden Nugget		Harrah's Marina		Playboy		Resorts International		Sands		Tropicana	
Dec. 1980		Nov. 1981		April 1981		May 1978		August 1980		Nov. 1981	
$	%	$	%	$	%	$	%	$	%	$	%
$260,477	90.0	$201,798	87.6	$144,248	85.8	$249,582	86.3	$155,577	88.5	$197,985	87.8
66,132	22.9	49,816	21.6	49,151	29.2	66,906	23.1	43,915	25.0	52,437	23.3
(37,315)	(12.9)	(21,295)	(9.2)	(25,205)	(15.0)	(27,296)	(9.4)	(23,781)	(13.5)	(24,984)	(11.1)
289,294	100.0	230,319	100.0	168,194	100.0	289,192	100.0	175,711	100.0	225,438	100.0
195,030	67.4	148,406	64.5	139,228	82.8	213,613	73.9	143,105	81.4	178,687	79.3
10,210	3.5	4,177	1.8	9,876	5.9	300	0.1	7,006	4.0	27,938	12.4
11,107	3.9	9,821	4.3	7,014	4.1	12,604	4.3	6,806	3.9	9,821	4.3
2,632	0.9	(816)	(0.4)	11,578	6.9	3,326	1.2	(532)	(0.3)	(554)	(0.2)
34,383	11.9	*	*	*	*	29,753	10.3	2,309	1.3	1,704	0.7
253,362	87.6	161,588	70.2	167,696	99.7	259,596	89.8	158,694	90.3	217,596	96.5
$ 35,932	12.4	$ 68,731	29.8	$ 498	0.3	$ 29,596	10.2	$ 17,017	9.7	$ 7,842	3.5
41,000		44,000		52,000		60,000		38,000		51,000	
$136,913	52.6	$ 84,906	42.1	$ 75,216	52.1	$126,077	50.5	$ 88,405	56.8	$102,364	51.7
123,564	47.4	116,892	57.9	69,032	47.9	123,505	49.5	67,172	43.2	95,621	48.3
260,477	100.0	201,798	100.0	144,248	100.0	249,582	100.0	155,577	100.0	197,985	100.0
35,232	13.5	32,602	16.1	31,434	21.8	39,306	15.7	30,009	19.3	35,229	17.8
90,782	34.9	49,415	24.5	58,980	40.9	99,022	39.7	53,377	34.3	91,126	46.0
126,014	48.4	82,017	40.6	90,414	62.7	138,328	55.4	83,386	53.6	126,355	63.8
$134,463	51.6	$119,781	59.4	$ 53,834	37.3	$111,254	44.6	$ 72,191	46.4	$ 71,630	36.2
$ 529.00		$ 382.00		$ 231.00		$ 347.00		$ 341.00		$ 324.00	
$ 273.00		$ 227.00		$ 86.00		$ 155.00		$ 158.00		$ 117.00	

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